(b) In terms of the guidelines issued by the Reserve Bank of India (RBI) to commercial banks, in the case of advances to stock-brokers against shares and debentures, banks are required to get the securities transferred in their names where such advances exceed Rs. 3 lakhs and where the securities are held as security for more than three months. Besides, while granting overdraft facilities to stock-brokers against shares and debentures held by them as stock-in-trade, banks have been advised to make a careful assessment of the requiremments for such finance taking into account, inter alia, the financial position of the stockbrokers, business operations on own account of the stock-brokers and on behalf of their clients, and the income earned by them.

(c) Does not arise in view of reply to (a) above.

Control on Money Supply Expansion

2252. SHRI B.K. HARIPRASAD: Will the Minister of FINANCE be pleased to state:

(a) whether Government have taken serious note of spiraling prices in recent months due to inadequate steps taken to control, the money supply expansion;

(b) whether the Reserve Bank of India, in its busy season credit policy for 1994-95, has prescribed an average rate of increase of 16% in money supply expansion and what are the internationally accepted levels of money supply expansion;

(c) what were the percentage of levels of money supply expansion during the months October-December, 1994; and

(d) whether Government would attempt to cut down the administered and other current expenditure of Government, control the trans-action costs and widen the tax base?

THE MINISTER OF STATE IN THE MIN-ISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) The annual rate of inflation as measured by change in the Wholesale Price Index (WPI) has come down for 11.6 per cent as on January 28,1995 to 10.3 as on March 11, 1995. Money Supply (MS) growth in the current financial year upto March, 3 1995 at 16.5 per cent was below the 17.3 per cent growth recorded in the corresponding period of the last financial year (upto March 4, 1994).

(b) An indicative target of 16 per cent over the year 1994-95 was set by the Reserve Bank of India in the credit policy announced for the second half of the current financial year, since this growth rate was felt to be consistent with the expected real GDP growth in 1994-95 of around 5.5 per cent and the objective of keeping inflation rate under control. The Desirable rate of money supply expansion differs from country to country, keeping in view various important macroeconomic trends including expected real GDP growth, balance of payments position and general price level.

(c) The percentages of money supply growth during October, November and December 1994 were 2.3 per cent, 1.2 per cent and 0.5 per cent respectively.

(d) It is proposed in the budget for 1995-96 to bring down centre's fiscal deficit from 6.7 per cent of GDP as per re vised estimate for 1994-95 to about 5.5 per cent of GDP in 1995-96. A number of steps have already been taken to moderate inflationary pressure. Monetary policy has already been tightened to reduce the growth of money supply. Imports of key essential commodities such as sugar, cotton, pulses and edible oils have been freely allowed. Open market sale of wheat and rice are being undertaken.

Service Charges and Lending Rates of Banks

2253. SHRI B.K. HARIPRASAD: Will the Minister of FINANCE be pleased to state;

(a) whether there have been complaints from the public against public sector banks arbitrarily fixing service charges and lending rates without any cost analysis.

(b) whether RBI has issued any guidelines to nationalised and scheduled banks governing fixation of lending rates and service charges and if so, whether these guidelines are being followed by all banks uniformly; and

(c) whether Government are aware of a move by the banks for reduction of term de posit rates to offset the cut in lending rates and if so, whether the RBI will intervene to curb